

the

# light report



April 2003

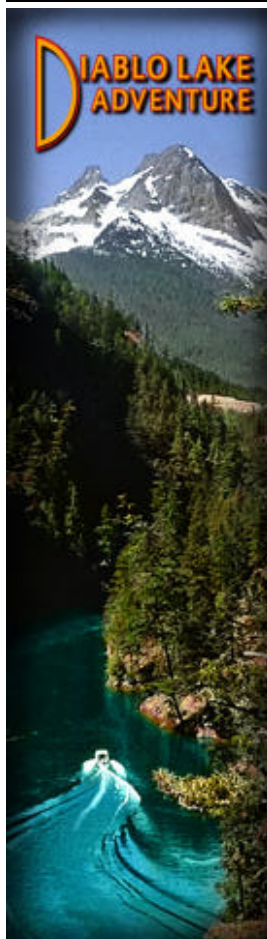
Volume 7; Number 4

## Superintendent's Summary

As we transition into April, City Light continues to move ahead in all critical areas as we prepare for new leadership. We've reached a major milestone in retiring the energy crisis debt by paying off the \$185 million in short-term Revenue Anticipation Notes (RANs). We are actively working with all players in the South Lake Union project to ensure sufficient capacity and services. Account Services has eliminated all backlogs in service orders and account related requests.

We've had a terrific March for precipitation. The Bonneville system is now 85% of normal with particularly good precipitation on the Pend Oreille River. At the Skagit, precip is 84% of normal and snowpack has moved to 80%. Most of the snow, fortunately, is high and hopefully will stay on the mountainsides for maximum sales value. Prices are down from the spikes of a few weeks ago, but remain stronger than normal in the spring runoff.

Our Skagit Tours will resume this year, the 75<sup>th</sup> anniversary of the original tour led by JD Ross. The Tours have been extensively restructured around new security needs, and will kick off with a special mid-June anniversary event for national and local travel press and other media.



## Skagit Tours Are Back

After a year hiatus in the wake of 9/11, City Light's world-famous Skagit Tours resume this June. Re-designed around strict security guidelines, the Tours have moved from Diablo to the new Skagit Information Center in Newhalem.

The traditional tour of bygone days is now the new Diablo Lake Adventure. Guests will enjoy a guided motor-coach ride through Gorge Canyon and across Diablo Dam, where they board the Alice Ross III for a narrated cruise of Diablo Lake.

To replace the much-loved chicken dinner, we have partnered with the Skagit General Store to offer fresh deli sandwiches and other fare both before and after the tour.

Despite the many changes, the new offerings remain true to the Skagit Tours tradition of a quality tourist experience at an affordable price.

Reservations may be made by phone at (206) 684-3030, mail or on our website at <http://www.cityofseattle.net/light/Tours/Skagit/>.

## The Periscope: FERC Refund Case – Outlook Hazy

The Federal Energy Regulatory Commission met March 26 in Washington, D.C., to discuss, among other things, refunds for Western utilities caught in the 2000-2001 energy crisis. The basis for the discussion was a staff report documenting widespread market manipulation. The report recommended refunds to California utilities totaling more than \$3 billion, an increase from the \$1.8 billion recommended earlier by a FERC administrative law judge (California says it is owed about \$9 billion).

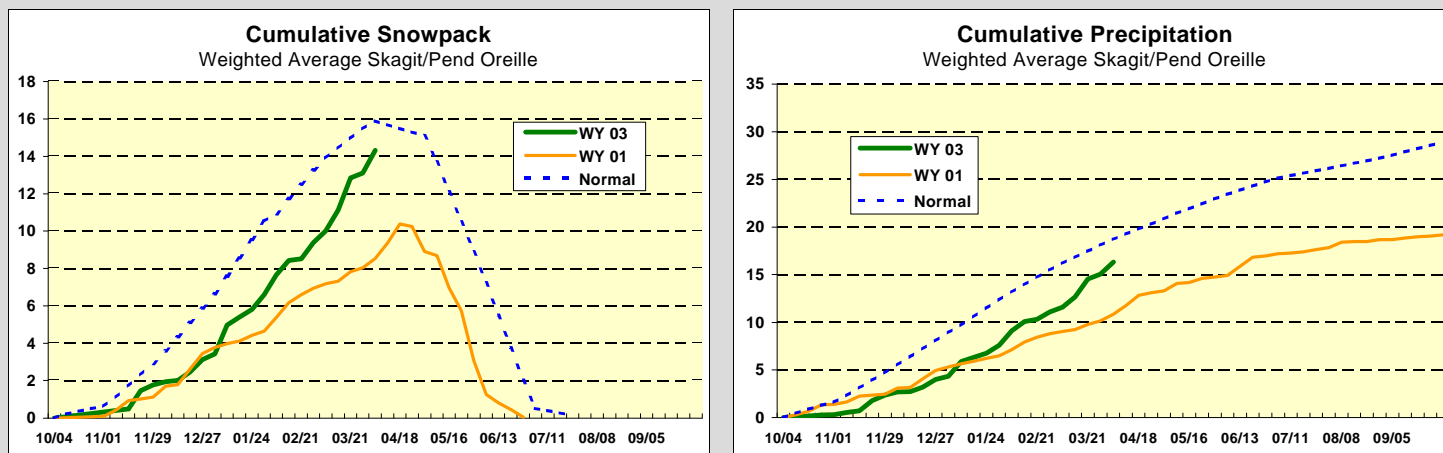
Unfortunately, the outcome for the Northwest was less clear. Instead of ordering outright the nearly \$500 million in refunds Northwest utilities have sought – including \$278 million for City Light – the FERC called for more talks to settle the dispute. The commission said parties in the Northwest case should try to settle the claims, with FERC stepping in only if settlement talks failed.

Given the FERC staff report and commissioners' comments, it seems clear to us that if California gets refunds, so should we.

In a setback for the Northwest, the commission indicated it would not order cancellation of long-term power contracts that were signed when power prices were fraudulently high. Fortunately, City Light did not enter into such contracts, though neighboring Snohomish PUD, Pacificorp and Bonneville are burdened with those contracts.

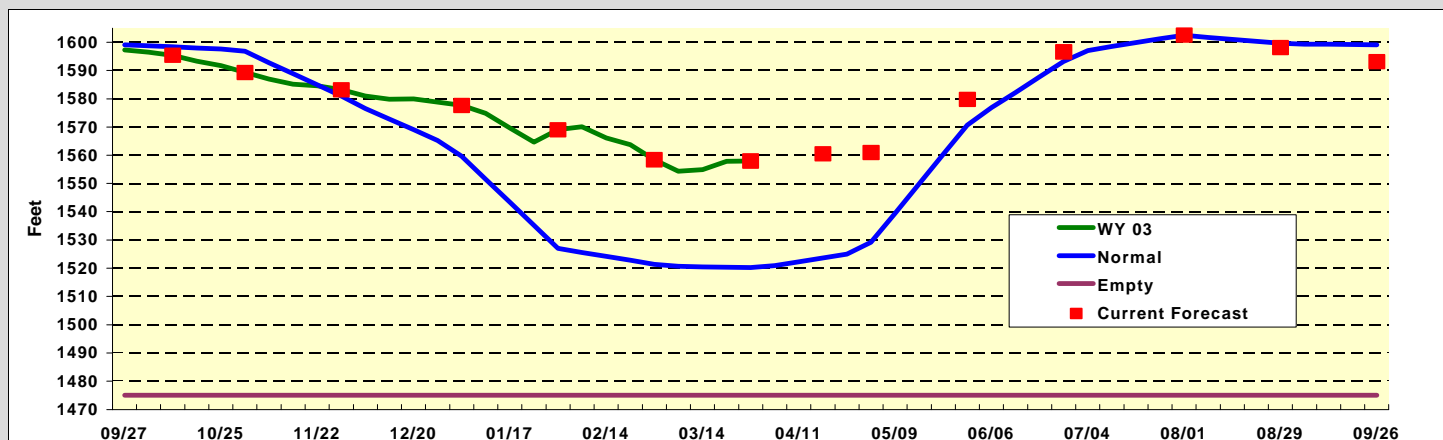
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## - Water Resources as of March 28, 2003 - Snowpack and Precipitation



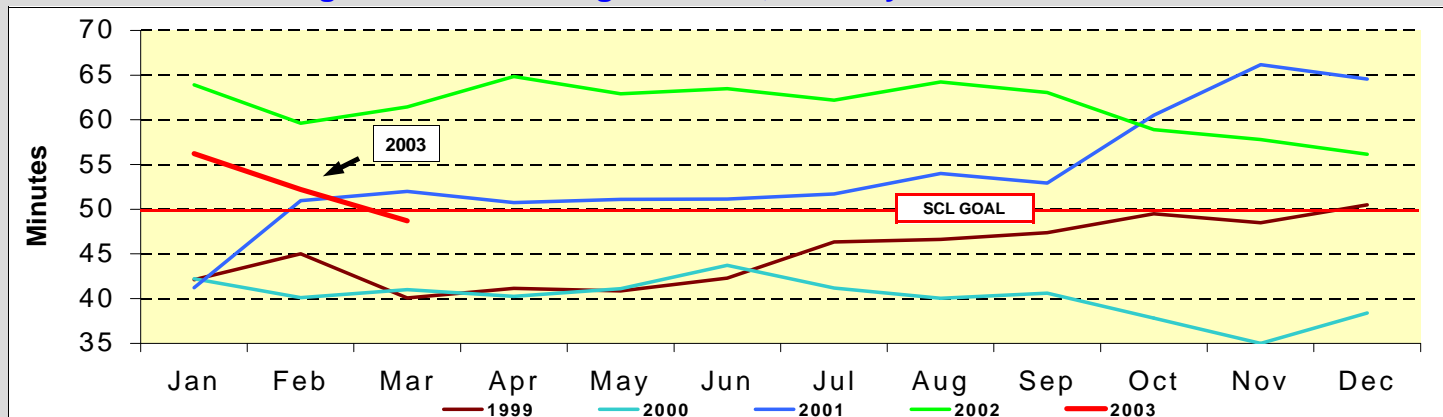
The 2003 water year (green line) has been helped significantly by recent wet, cool weather patterns. While we continue to expect a dryer-than-average year, conditions are significantly better than the 2001 record drought (tan line).

## Ross Reservoir Levels



While in recent weeks the drought appears to be easing, we continue to operate our Skagit facilities at lower-than-maximum flows to ensure that Ross Reservoir levels remain high enough to meet license targets this summer.

## - System Reliability - Average Customer Outage Minutes, January 1999 – March 2003



The System Average Interruption Duration Index (SAIDI) continued to improve in March, and at 48.7 minutes surpassed the goal of 50 minutes. Two notable events are a warehouse fire and a tree-related outage, each making up 30% of the month's outage impact. Various equipment related outages made up the remaining 40%.

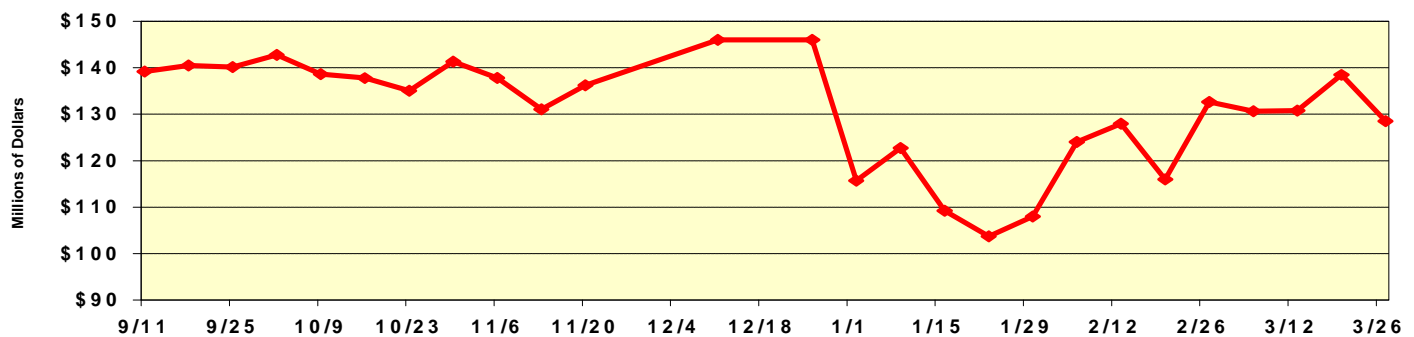
## - Markets and Power Management -

### Forward Power Prices, Current vs. Operating Plan

	High Load Hours			Low Load Hours		
	Operating Plan	Current	Change	Operating Plan	Current	Change
Jan 03	\$40	\$40	\$0	\$32	\$32	\$0
Feb 03	\$35	\$74	+\$39	\$30	\$70	+\$40
Mar 03	\$34	\$24	-\$10	\$28	\$21	-\$7
Apr 03	\$34	\$28	-\$4	\$24	\$21	-\$3
May 03	\$26	\$23	-\$3	\$16	\$19	+\$3
Jun 03	\$24	\$25	+\$1	\$16	\$19	+\$3
Jul 03	\$37	\$28	-\$9	\$25	\$28	+\$3
Aug 03	\$46	\$45	-\$1	\$31	\$31	\$0
Sep 03	\$39	\$46	+\$7	\$27	\$32	+\$5
Oct 03	\$42	\$42	\$0	\$31	\$32	+\$1
Nov 03	\$40	\$43	+\$3	\$30	\$32	+\$2
Dec 03	\$44	\$50	+\$6	\$35	\$39	+\$4

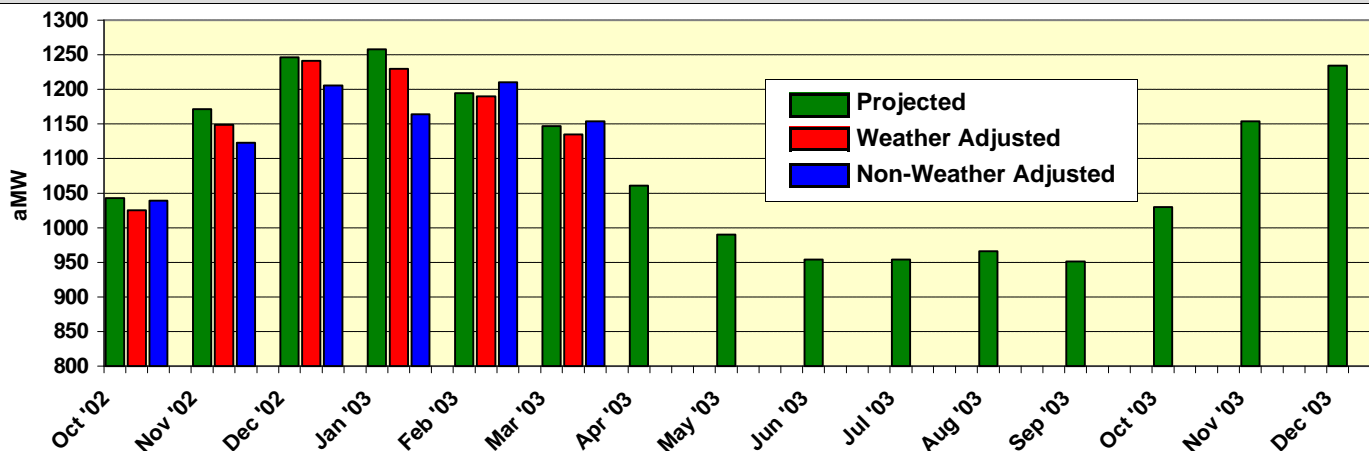
This table compares the forward prices for energy as of March 24, 2003 with the forward prices assumed in the October 2002 operating plan. Prices spiked in February on heating demand in the East and Mid-West. Milder weather back East coupled with improved hydro conditions locally depressed prices in the near-term.

### Market Value of 2003 Position



Flow projections for the rest of this water year have improved a little, increasing the quantity of surplus available to sell on the wholesale market. However, the fall-off in prices eroded some of the benefit of the increased generation.

### Load History and Projections



A mild winter (compliments of a weak El Nino) and a slower-than-expected recovery from the recession have resulted in lower retail demand than forecasted. Load, unadjusted for temperature, is down 150,000 MWh since October. The shortfall in load means that additional power should be available for sale in the wholesale market. The resulting increase in wholesale revenue should partially offset the effect of lower load.

On the positive side, the FERC has finally provided a thorough report that details market manipulation and its costs, identifies the culprits, and concedes that short term markets in fact had a substantial effect on longer term prices, one of our key arguments that had been previously rejected. This could be valuable legal ammunition.

So down the road, legal action remains a possibility. In the meantime we will work with our Congressional delegation, particularly Sen. Cantwell who serves on the Energy and Natural Resources Committee, and with our coalition of utilities to keep the heat on the FERC to do right by the Northwest.

### Bits and Pieces: News and Notes from City Light and the Utility Industry

- The former Seattle City Light Power Control Center at 157 Roy Street was dedicated by the Mayor as the Uptown Neighborhood Center. Steve Hagen, Real Estate Services manager, received a certificate of appreciation from the Mayor for his work on this project.
- South Lake Union Substation: Our consultant has contacted three major property owners in our initial search area. They all recognize the need for expanded energy infrastructure in the area, but no one favored having the substation on their land. The consultant will meet with another owner and check to see if there are viable sites within an expanded search area.
- A work group formed to seek agreement among the three agencies (Burien/Port of Seattle/SCL) regarding the location of the future Burien/Port of Seattle Substation. The meeting focused on Seattle City Light's siting criteria.
- The Boundary Unit 51 turbine overhaul work is proceeding on schedule. It is expected to be completed the week of April 21-25.
- Boundary Rehabilitation Project: The crews installed the new cable tray the full length of the hoist deck (electrical cables 051). The low bid for Level 4 Rockfall Mitigation (076) was received March 12 and the bid is expected to be awarded the first week in April. Underwater survey work was completed for Unit 55 and 56 intake tunnels.

Divers were able to verify dimensions, spacing and condition of existing attachment points for the rock trap installations.

- A federal judge dismissed most of California's claims against 11 energy companies, setting back the state's campaign to recoup billions of dollars from electricity sellers that profited during the power crisis. The ruling leaves California more dependent than ever on a decision expected from the Federal Energy Regulatory Commission on the state's petition for \$9 billion in refunds from energy companies.
- On March 31, rates will rise 5 percent for Tacoma Power. The increase is needed to make up a projected revenue shortfall of \$24.3 million. The shortfall occurred because of several factors, according to the utility, including the loss of a major industrial customer, BPA increases and other inflation-related costs.
- Rep. Joe Barton, R-Texas has issued a call for sweeping legislation to restructure electricity markets, build strategic oil inventories and bolster nuclear and coal-fired power. Barton, who heads the House subcommittee on energy and air quality, released the 285-page draft as Congress resumes work on energy in the wake of last year's failure by House and Senate negotiators to reconcile deep differences on regulatory, environmental and security aspects of energy policy.
- Neighborhood Pedestrian Lighting: City Light has an annual neighborhood implementation budget of \$450,000 that supports pedestrian lighting projects. This is a relatively new program and we balance our engineering and crew work between these installations and replacement and repair of the broader street light system. We have installed 360 pedestrian lights in nine communities since 2000. Procurement of an additional 170 pedestrian lights for five communities is underway. Near term installations have been identified by DON for the Central Area, South Park, Capitol Hill, Belltown, and Lake City. Pioneer Square is also proposed. City Light will perform additional design studies to determine specific locations to help minimize conflicts and added costs associated with areaways.

## UPCOMING COUNCIL AGENDA ITEMS

### *Apr. 3: Energy and Environmental Policy Committee:*

- Regional and National Energy Policy Update (Jim Harding)
- Water and Market Conditions (Mike Sinowitz)
- Appointment of members to SCL Advisory Board (Andrew Lofton, Ben Noble, Central Staff)
- Ordinance authorizing SCL to purchase land in Skagit and Tolt/Snoqualmie watersheds for salmon habitat (Lynn Best)

### *Apr. 17: Energy and Environmental Policy Committee*

- Green Power Status Report (Marya Castellano)
- Financial Update (Jim Ritch, Carol Everson)